

ASSEMBLY BILL

No. 1591

**Introduced by Assembly Member Ma
(Coauthor: Assembly Member Mullin)**

February 23, 2007

An act to amend Section 25120 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1591, as introduced, Ma. The Corporation Tax Law: allocation and apportionment: definitions.

The Corporation Tax Law imposes taxes measured by income and, in the case of a business with income derived from, or attributable to, sources both within and without this state, apportions the income between this state and other states and foreign countries in accordance with a specified 4-factor formula, except as otherwise provided. That law distinguishes between business income, as defined, that is subject to apportionment by formula, and nonbusiness income, as defined, that is not subject to apportionment by formula, but, rather, is subject to allocation to either the commercial domicile, as defined, of the taxpayer in the case of income from intangible property, or to the physical location of the property in the case of income from tangible property.

This bill would make technical, nonsubstantive changes to those provisions that define, among other terms, “business income,” “commercial domicile,” and “nonbusiness income.”

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 25120 of the Revenue and Taxation Code is amended to read:

25120. As used in Sections 25120 to 25139, inclusive, ~~which shall hereafter be~~ referred to as “this act,” unless the context otherwise requires:

(a) “Business income” means income arising from transactions and activity in the regular course of the taxpayer’s trade or business and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer’s regular trade or business operations.

(b) “Commercial domicile” means the principal place from which the trade or business of the taxpayer is directed or managed.

(c) “Compensation” means wages, salaries, commissions, and any other form of remuneration paid to employees for personal services.

(d) “Nonbusiness income” means all income other than business income.

(e) “Sales” means all gross receipts of the taxpayer not allocated under Sections 25123 through 25127 of this code.

(f) “State” means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country or political subdivision thereof.